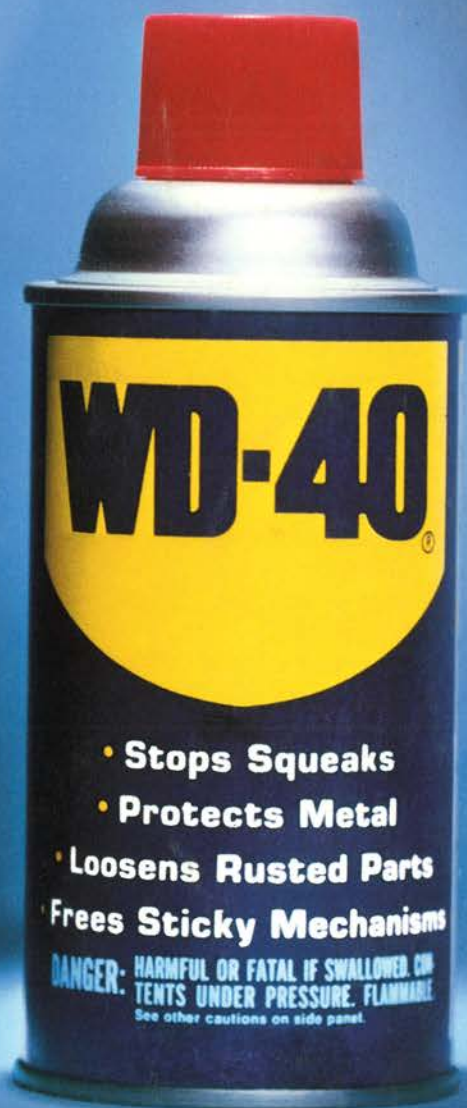


WD-40 COMPANY ANNUAL REPORT 1979

YEAR ENDING AUGUST 31



Highlights of Year Ended August 31, 1979

	<u>1979</u>	<u>1978</u>	<u>% Increase</u>
Net Sales	\$35,215,000	\$26,270,000	34.0%
Income before Taxes	\$11,264,000	\$ 8,604,000	30.9%
Net Income	\$ 5,503,000	\$ 4,134,000	33.1%
†Net Income per Share	\$2.22	\$1.67	32.9%
†Dividends Paid	\$1.20	\$.80	50.0%
†Average No. of Shares Outstanding ...	2,478,090	2,471,426	
†Shares Outstanding	2,478,090	2,478,090	

- Current Ratio: 4.64 to 1
- Receivables to Sales: 16.8%
- Net Income to Average Net Worth: 58.8%
- Inventories to Sales: 2.2%
- Debt: None
- Sales per Employee: \$1,006,142

†Numbers restated to reflect 2 for 1 stock split effective October 10, 1978

October 21, 1979

TO OUR SHAREHOLDERS:

For the 18th consecutive year, your Company's sales and earnings reached record levels. Sales climbed to \$35,215,000, up 34% from the previous year. This represents "real" growth since there were no price changes in either fiscal 1978 or 1979. Year-end sales went beyond our original expectations due to last minute buying to avoid the previously announced price increase which became effective September 1, 1979. It has been five years and one month since the last price increase.

Net income rose to \$5,503,000, up 33% over the previous year's all-time record. Product related costs rose significantly during the year and eroded gross margins. Fortunately, the following three expense items went down as a per cent of sales and offset the product cost increase: (1) selling, general and administrative, (2) advertising and sales promotion and (3) federal income taxes.

On a per share basis, earnings were \$2.22 vs. \$1.67 a year ago. We paid cash dividends of \$1.20 per share vs. \$.80 per share a year ago. The quarterly dividend was raised to \$.35 per share effective July 30, 1979. Both the earnings and dividend amounts reflect the retroactive application of our 2 for 1 stock split which became effective October 10, 1978.

In view of the high current interest in productivity, we are proud of the fact that your Company has made giant strides forward in this department. In the first year we went public, fiscal 1973, our sales per employee was \$368,600; in fiscal 1979 this rose to \$1,006,142 per employee.

WD-40 sales increased in all of the many markets it serves and we believe new sales records will be set in 1980.



John S. Barry,
President

THE COMPANY

Corporate Objectives

Management is dedicated to the objectives of increasing corporate earnings and dividends by winning the end-user's brand loyalty for your Company's only product, WD-40.

The Product

WD-40 is the cornerstone of your Company. It is a chemical-petroleum based maintenance product consumed by end-users in homes, factories, garages, farms and offices throughout the free world. The well-established growth pattern in the demand for WD-40 attests to customer satisfaction with its performance.

WD-40 is typically procured for a specific application and, because of its unusual versatility, finds its way into many other uses. This broad range of uses provides your single-product Company with surprising diversification from a marketing point-of-view — it has little dependency on any one or even a group of end-users.

Markets

WD-40 is supplied to its many markets through a number of trade channels, the most important of which are: hardware, automotive, sporting goods, industrial and farm. Your Company envisions significant growth attainable through increased market penetration.

Competition

Your Company's success with WD-40 has not gone unnoticed. Numerous imitations from both fly-by-night operators and billion dollar conglomerates have been introduced into the marketplace. None has gained a significant market share even in those cases where the companies had a long established position in their own trade channels. It may well be that, as the leader, WD-40 benefits at both the trade and end-user level by calling attention to our kind of product.

Operational Overview

While your Company is technically a manufacturer, it is really a marketer. Such being the case, it is organized to focus intensive management attention on critical success areas of: (1) sales policies, (2) marketing plan formulation, and (3) implementation of marketing plans. Other vital functions handled internally are: order handling, credit, concentrate formulation, and quality control.

WD-40 concentrate is formulated in San Diego and shipped by rail car or tank wagon to contract packagers in Los Angeles, Texas, Georgia, New Jersey, Wisconsin, and Toronto, Canada. Independent sub-contractors package WD-40 to rigid specifications and, upon order from your Company, ship WD-40 to customers in their respective areas via common carrier. The packagers have no responsibility for marketing WD-40.

Your Company has 30 employees in the United States and 5 in Canada.

Capital Requirements — Dividends

Your Company will be able to accommodate a very substantial increase in business with an insignificant addition to fixed assets. Growth will require modest increases to working capital. There are no other plans for utilizing earnings, hence, it is expected that unneeded funds will be paid out as dividends. The 20% increase in the regular quarterly dividend to \$.30 per share effective January 30, 1979 and the 17% increase to \$.35 effective July 30, 1979 reflects this policy. These are restated amounts to reflect the 2 for 1 stock split.

International

Your Company has a network of licensees and distributors throughout the free world. While contributing less than 10% of sales and income, this business does enhance WD-40's overall image as well as build demand in the United States through "cross-pollinization."

Fiscal 1980

We have beefed-up our field proven marketing programs and fully expect to propel WD-40 sales and earnings to new record levels.



600 B STREET, SAN DIEGO, CALIFORNIA 92101
714-231-1200

October 12, 1979

To the Board of Directors and Shareholders
of WD-40 Company

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income and retained earnings and of changes in financial position present fairly the financial position of WD-40 Company and its subsidiary at August 31, 1979 and 1978, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Pricewaterhouse & Co.

**WD-40 COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS**

	Year ended August 31	
	1979	1978
Net sales	\$35,215,000	\$26,270,000
Interest, royalty and other income	706,000	491,000
	<u>35,921,000</u>	<u>26,761,000</u>
Cost and expenses:		
Cost of products sold	15,503,000	10,957,000
Selling, general and administrative	6,788,000	5,228,000
Advertising and sales promotion	2,366,000	1,972,000
	<u>24,657,000</u>	<u>18,157,000</u>
Income before taxes on income	<u>11,264,000</u>	<u>8,604,000</u>
Provision for income taxes.(Note 2):		
Federal	4,736,000	3,753,000
State	921,000	701,000
Foreign	104,000	16,000
	<u>5,761,000</u>	<u>4,470,000</u>
Net income	<u>5,503,000</u>	<u>4,134,000</u>
Beginning retained earnings	6,867,000	4,712,000
Cash dividends of \$1.20 and \$.80 per share	(2,974,000)	(1,979,000)
Ending retained earnings	<u>\$ 9,396,000</u>	<u>\$ 6,867,000</u>
Earnings per share (Note 1)	<u>\$2.22</u>	<u>\$1.67</u>

see accompanying notes to consolidated financial statements

**WD-40 COMPANY AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET**

ASSETS

	August 31	
	<u>1979</u>	<u>1978</u>
Current assets:		
Cash, including certificates of deposit of \$5,368,000 and \$4,510,000	\$ 5,368,000	\$ 5,116,000
Accounts receivable, less allowance for cash discounts and doubtful accounts of \$107,000 and \$61,000	5,933,000	3,546,000
Inventories, at the lower of average cost or market:		
Finished goods	622,000	484,000
Raw materials	167,000	179,000
	<u>789,000</u>	<u>663,000</u>
Prepaid taxes and expenses	411,000	296,000
Total current assets	12,501,000	9,621,000
Property, plant and equipment at cost (Note 1):		
Land	100,000	100,000
Building and improvements	474,000	474,000
Machinery and equipment	567,000	482,000
	<u>1,141,000</u>	<u>1,056,000</u>
Less: Accumulated depreciation	(290,000)	(231,000)
	<u>851,000</u>	<u>825,000</u>
	<u><u>\$13,352,000</u></u>	<u><u>\$10,446,000</u></u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 914,000	\$ 393,000
Accrued payroll and related expenses	413,000	345,000
Estimated taxes on income (Note 2)	1,364,000	1,574,000
Total current liabilities	<u>2,691,000</u>	<u>2,312,000</u>
Deferred income taxes (Note 2)	43,000	45,000
Shareholders' equity:		
Common stock, no par value, 3,000,000 shares authorized — 2,478,090 shares issued and outstanding stated at (Note 3)	1,101,000	1,101,000
Paid in capital	121,000	121,000
Retained earnings	9,396,000	6,867,000
Total shareholders' equity	<u>10,618,000</u>	<u>8,089,000</u>
	<u><u>\$13,352,000</u></u>	<u><u>\$10,446,000</u></u>

see accompanying notes to consolidated financial statements

**WD-40 COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION**

	Year ended August 31	
	1979	1978
Financial resources were provided by:		
Operations —		
Net income	\$5,503,000	\$4,134,000
Depreciation	89,000	61,000
Deferred income tax	(2,000)	3,000
Provided by operations	5,590,000	4,198,000
Disposition of equipment	36,000	3,000
Issuance of common stock		117,000
	<u>5,626,000</u>	<u>4,318,000</u>
Financial resources were used for:		
Cash dividends	2,974,000	1,979,000
Additions to plant and equipment	151,000	165,000
	<u>3,125,000</u>	<u>2,144,000</u>
Increase in working capital	<u>\$2,501,000</u>	<u>\$2,174,000</u>
Changes in components of working capital:		
Increase (decrease) in current assets —		
Cash	\$ 252,000	\$2,026,000
Accounts receivable	2,387,000	352,000
Inventories	126,000	306,000
Prepaid taxes and expenses	115,000	105,000
	<u>2,880,000</u>	<u>2,789,000</u>
Decrease (increase) in current liabilities —		
Accounts payable	(521,000)	237,000
Accrued payroll and related expenses	(68,000)	(82,000)
Accrued sales commissions		271,000
Estimated taxes on income	210,000	(1,041,000)
	<u>(379,000)</u>	<u>(615,000)</u>
Increase in working capital	<u>\$2,501,000</u>	<u>\$2,174,000</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — Summary of accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, WD-40 Products (Canada) Limited. All significant intercompany transactions have been eliminated. Accounts of the Canadian subsidiary have been translated into United States dollars at appropriate rates of exchange. The gain or loss resulting from translation, which was not material in amount, has been included in operations.

Depreciation

Depreciation of plant and equipment has been provided on the straight-line method, based upon estimated useful lives of thirty years for the plant, and ten to fifteen years for machinery and equipment. Management has elected to depreciate plant, machinery and equipment on the declining balance method for income tax purposes. Expenditures for renewals and betterments are capitalized; maintenance and repair costs are expensed. Upon the sale or retirement of

property, plant and equipment, cost and related depreciation are cleared from the accounts and any gain or loss is included in operations.

Earnings per share

Earnings per share are based on the weighted average number of shares outstanding during each year of 2,478,090 and 2,471,426 in 1979 and 1978, respectively, after giving retroactive effect to the 2 for 1 stock split in October 1978, as described in Note 3.

NOTE 2 — Income taxes

Income tax provisions are computed at the statutory rates in effect for federal, state and foreign authorities, respectively. The provision for income taxes includes the following timing differences:

	Year ended August 31	
	1979	1978
Due to expenses recorded in advance of tax deduction —		
California Franchise Tax	\$ 96,000	\$103,000
Allowance for cash discounts	23,000	
Other — net	(1,000)	(1,000)
Increase in prepaid taxes	118,000	102,000
Due to tax deduction in advance of recording expense —		
Decrease (increase) in deferred taxes —		
Depreciation	2,000	(3,000)
Tax effect of timing differences	<u>\$120,000</u>	<u>\$ 99,000</u>

Investment tax credits, which are not material in amount, are accounted for under the flow-through method.

NOTE 3 — Common stock

Shares of common stock, dividends per share, stock options, prices at which options are exercisable, and earnings per share have been computed after giving retroactive effect to a 2 for 1 stock split in October, 1978.

The Company has a Qualified Stock Option Plan under which officers and key employees of the Company may be granted options to purchase an aggregate of not more than 60,000 shares of the Company's no par value common stock at a price not less than 100% of the fair market value of the stock at the date of grant. Options are exercisable one year after grant and may not be granted for terms in excess of five years. Options for 15,600 shares granted from September 1973 through September 1975 at \$5.50 to \$11.38 per share were outstanding at August 31, 1977. These options were all exercised during fiscal 1978, and no additional options have been granted, leaving no options outstanding at August 31, 1979 and 1978. The proceeds from the exercise of the options were credited to common stock. A total of 16,400 shares were available for future grants at August 31, 1979 and 1978. The plan terminates in October 1982.

A summary of changes in common stock during 1978, after giving retroactive effect to the stock split, is set forth below. There were no changes in common stock during the year ended August 31, 1979.

	Number of shares	Stated value
Balance at August 31, 1977	2,462,490	\$ 984,000
Exercise of stock options	15,600	117,000
Balance at August 31, 1978	<u>2,478,090</u>	<u>\$1,101,000</u>

NOTE 4 — Profit Sharing Plan

The Company has a Profit Sharing Plan for the benefit of their regular full time employees, including officers. The Plan provides for annual contributions into a trust which are based upon an annual earnings formula, or more, as approved by the Board, but which may not exceed the amount deductible for federal income tax purposes. The Plan may be amended or discontinued at any time by the Company. Profit sharing expense for 1979 and 1978 approximated \$129,000 and \$108,000, respectively.

NOTE 5 — Quarterly financial information (unaudited)

The following table sets forth certain unaudited quarterly financial information for the two years ended August 31, 1979:

Quarter ended:	Net sales	Gross profit	Net income	Earnings per share
November 30, 1977	\$ 5,376,000	\$ 3,242,000	\$ 808,000	\$.33
February 28, 1978	6,736,000	3,957,000	1,030,000	.42
May 31, 1978	8,066,000	4,591,000	1,237,000	.50
August 31, 1978	6,092,000	3,523,000	1,059,000	.42
	<u>\$26,270,000</u>	<u>\$15,313,000</u>	<u>\$4,134,000</u>	<u>\$1.67</u>
November 30, 1978	\$ 7,613,000	\$ 4,472,000	\$1,162,000	\$.47
February 28, 1979	8,475,000	4,674,000	1,223,000	.49
May 31, 1979	10,625,000	5,853,000	1,572,000	.64
August 31, 1979	8,502,000	4,713,000	1,546,000	.62
	<u>\$35,215,000</u>	<u>\$19,712,000</u>	<u>\$5,503,000</u>	<u>\$2.22</u>

COPY OF FORM 10-K

Beneficial owners may obtain without charge a copy of WD-40 Company's annual report on Form 10-K filed with the Securities and Exchange Commission for 1979 by writing to the Secretary, WD-40 Company, 1061 Cudahy Place, San Diego, CA 92110.

QUARTERLY STOCK PRICE AND DIVIDEND INFORMATION

Period	Fiscal 1979			Fiscal 1978		
	High	Low	Dividend	High	Low	Dividend
First quarter	27¾	21	\$.25	14½	12	\$.15
Second quarter	30¾	25½	.30	16½	14½	.20
Third quarter	29	26½	.30	22	16½	.20
Fourth quarter	31	27	.35	29½	23½	.25

The high and low sales prices are as quoted in Standard and Poor's Daily Stock Prices, adjusted to give retroactive effect to the 2 for 1 stock split which was effected on October 10, 1978.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE LAST FIVE FISCAL YEARS OF OPERATIONS (SEE SUMMARY OF OPERATIONS ON PAGES 9 AND 10)

Sales

Ever expanding marketing programs have resulted in the following sales growth rates for 1975 through 1979 respectively: 19.9%, 38.9%, 18.2%, 28.2%, and 34.0%. All growth was "real" except for 1975 which benefited from a price adjustment of 10.6% in the last month of fiscal 1974. Fiscal 1975 was stunted by a weak economy.

Cost of Products Sold

Product cost as a per cent of sales for 1975 through 1979 respectively was: 46.9%, 45.7%, 45.0%, 41.7%, and 44.0%. The cost in 1978 went down significantly because of the new propellant system adopted to comply with the Federal Government's directives. Inflation is rapidly increasing product cost.

Selling, Advertising, General and Administrative Expenses

Selling, administrative, and marketing expense as a per cent of sales for 1975 through 1979 respectively was: 27.9%, 28.3%, 28.4%, 27.4% and 25.9%. The drop in 1979 almost offset the increase in cost of product.

Board of Directors

Thomas Barger	Consultant, Former Chairman of the Board, Aramco
John S. Barry	President, Treasurer
Sam Crivello	Investor
Eugene H. DeFalco	Investor
Reginald S. Fleet	Investment Advisor, Fleet & Co.
Harlan F. Harmsen	Attorney, Harmsen, Carpenter & Wilkinson
J. Lawrence Irving	Secretary; Attorney
Margaret L. Roulette	Investor
Lucia D. Taylor	Investor

Officers

John S. Barry	President, Treasurer
Gerald C. Schleif	Vice President — Marketing
J. Lawrence Irving	Secretary
Judith A. Nieto	Assistant Secretary

General Counsel

Harmsen, Carpenter & Wilkinson

Independent Accountants

Price Waterhouse & Co.
San Diego, California

Transfer Agent & Registrar

Bank of America, 111 West 7th St., Los Angeles, California 90014

Corporate Office

1061 Cudahy Place
San Diego, California 92110
714/275-1400

Annual Meeting

2:00 PM, November 26, 1979
Company Offices
1061 Cudahy Place
San Diego, California 92110

Listed

Over the Counter. Symbol WDFC

TEN YEAR SUMMARY (1)

FISCAL YEAR ENDED AUGUST 31

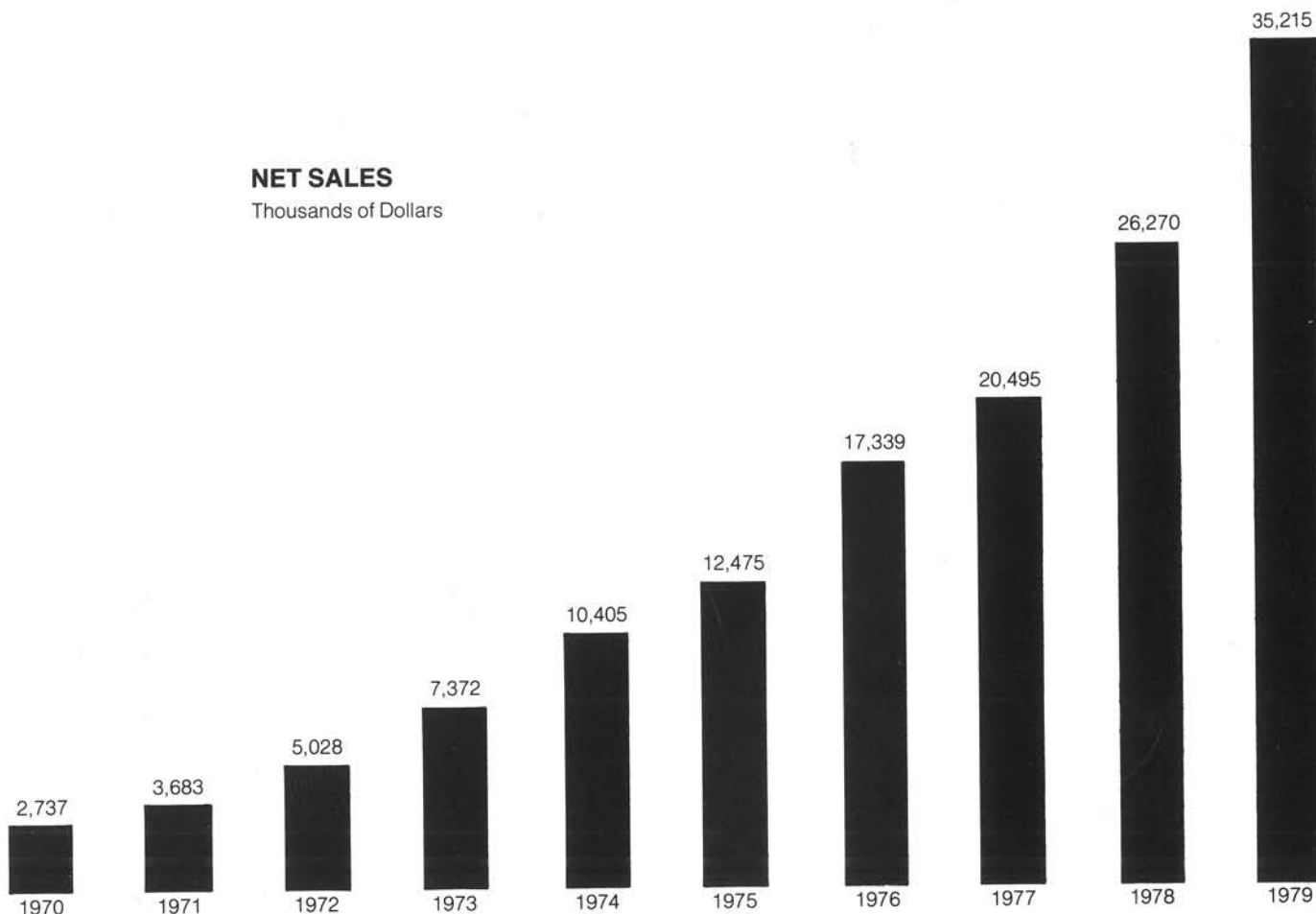
	1970	1971	1972
Net sales	\$2,737,000	\$3,683,000	\$5,028,000
Cost of products sold	1,043,000	1,443,000	1,921,000
Gross profit	1,694,000	2,240,000	3,107,000
Selling, advertising, general and administrative expenses	681,000	1,004,000	1,469,000
Interest, royalty and other income	42,000	70,000	111,000
Income before taxes on income	1,055,000	1,306,000	1,749,000
Provision for income taxes (2)	569,000	668,000	901,000
Net income	\$ 486,000	\$ 638,000	\$ 848,000
Earnings per share (3)	\$.21	\$.275	\$.365
Cash dividends per share (4)	\$.33	\$.515	\$.53
Number of employees	9	9	19

(1) Includes the accounts of the Company and its wholly owned subsidiary. All significant intercompany transactions have been eliminated. See Management's Discussion and Analysis of Operations of the five years ended August 31, 1975 through 1979 on page 8.

(2) The Company's shareholders elected to be taxed under Subchapter S of the Internal Revenue Code of 1954 during the four years ended August 31, 1969 through 1972. Under this election, the Company paid no federal income tax for these years because taxable income of the Company was includable in the federal income tax returns of the shareholders. A charge equivalent to federal income taxes which would have been paid, had the Subchapter S election not been made, has been included in the provision for income taxes for fiscal 1969 through 1972.

NET SALES

Thousands of Dollars



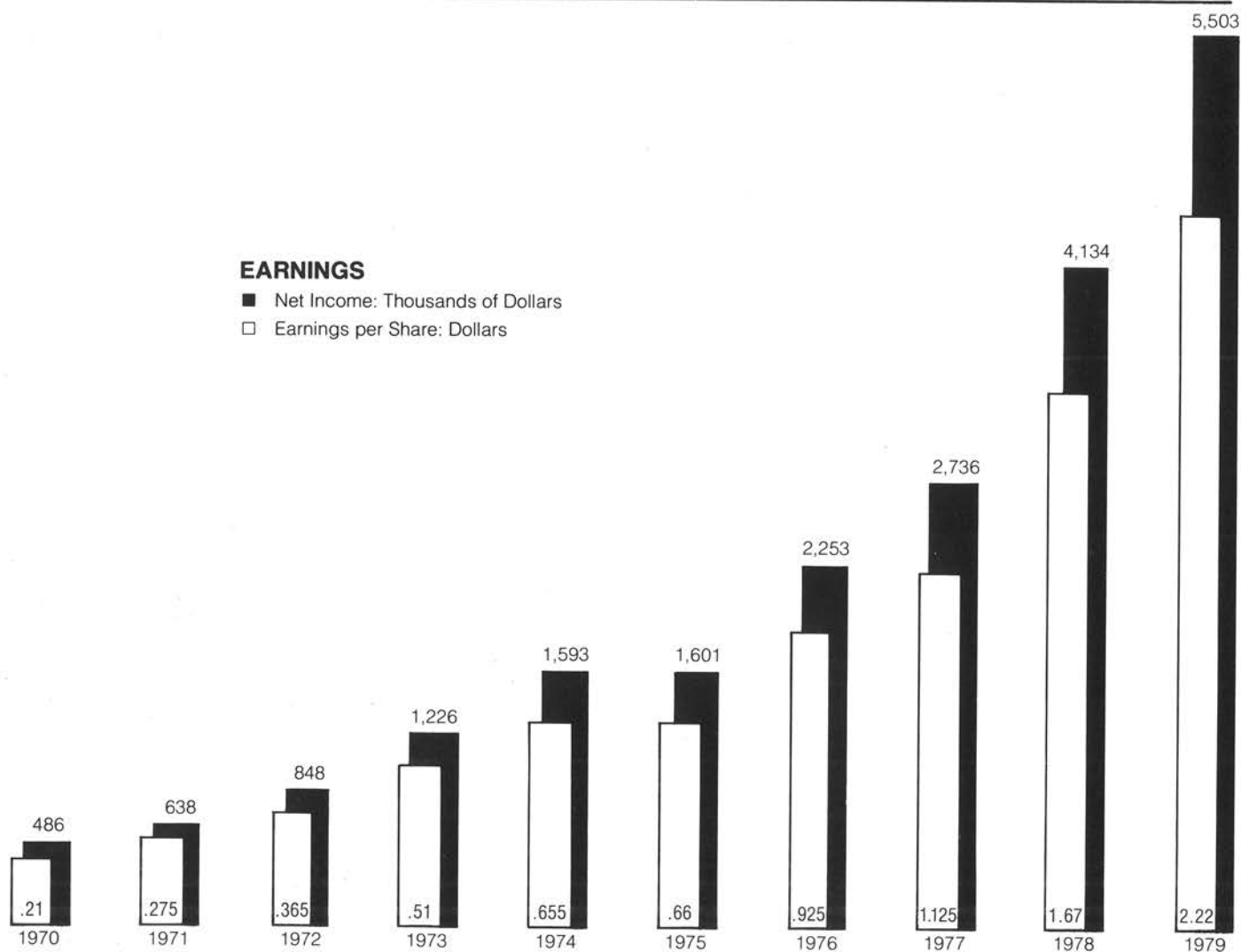
1973	1974	1975	1976	1977	1978	1979
\$7,372,000	\$10,405,000	\$12,475,000	\$17,339,000	\$20,495,000	\$26,270,000	\$35,215,000
2,834,000	4,392,000	5,863,000	7,929,000	9,230,000	10,957,000	15,503,000
4,538,000	6,013,000	6,612,000	9,410,000	11,265,000	15,313,000	19,712,000
2,140,000	2,877,000	3,483,000	4,918,000	5,812,000	7,200,000	9,154,000
146,000	193,000	210,000	229,000	296,000	491,000	706,000
2,544,000	3,329,000	3,339,000	4,721,000	5,749,000	8,604,000	11,264,000
1,318,000	1,736,000	1,738,000	2,468,000	3,013,000	4,470,000	5,761,000
\$1,226,000	\$ 1,593,000	\$ 1,601,000	\$ 2,253,000	\$ 2,736,000	\$ 4,134,000	\$ 5,503,000
<u>\$.51</u>	<u>\$.655</u>	<u>\$.66</u>	<u>\$.925</u>	<u>\$1.125</u>	<u>\$1.67</u>	<u>\$2.22</u>
<u>\$.475</u>	<u>\$.40</u>	<u>\$.40</u>	<u>\$.475</u>	<u>\$.55</u>	<u>\$.80</u>	<u>\$1.20</u>
20	23	24	27	31	32	35

(3) Earnings per common share have been computed based upon the weighted average number of shares of common stock outstanding during each year after giving retroactive effect to the 42.5 for 1 stock split in November 1972 and the 2 for 1 stock split in October 1978. The weighted average number of shares outstanding during the fiscal years through August 31, 1972, the year ended August 31, 1973, the years ended August 31, 1974 through 1976, the year ended August 31, 1977, the year ended August 31, 1978, and the year ended August 31, 1979 were 2,331,890, 2,407,706, 2,434,490, 2,434,566, 2,471,426, and 2,478,090, respectively.

(4) The cash dividends paid per common share have been retroactively restated to give effect to the November 1972 and October 1978 stock splits. Cash distributions paid to the shareholders through November 1972 were based on the approximate taxable income under Subchapter S for the four years ended August 31, 1969 through 1972 and therefore exceed net income after the charge equivalent to federal taxes on income.

EARNINGS

- Net Income: Thousands of Dollars
- Earnings per Share: Dollars





WD-40 World Headquarters, San Diego, California.

WD-40 COMPANY 1061 CUDAHY PLACE, SAN DIEGO, CA 92110